

Message Text

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64

ORIGIN EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 STR-01 TRSE-00 AGR-05

SSO-00 NSCE-00 INRE-00 USIE-00 FEA-01 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-01 INR-05 INT-05 L-02 LAB-01

NSAE-00 NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15

TAR-01 PRS-01 SP-02 OMB-01 SWF-01 /087 R

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FM SECSTATE WASHDC

TO USMISSION OECD PARIS IMMEDIATE

USMISSION EC BRUSSELS IMMEDIATE

INFO AMEMBASSY LONDON

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY COPENHAGEN

USMISSION GENEVA

AMEMBASSY PARIS

AMEMBASSY OTTAWA

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E.O.11652:N/A

SUBJECT:TRANSSHIPMENT OF EC CHEESE THROUGH CANADA

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REFS: A) EC BRUSSELS 9036, B) EC BRUSSELS 9147

OECD PARIS PASS TO MALMGREN AND GLITMAN

1. UNDERSTAND AMBASSADOR MALMGREN WILL LUNCH WITH HIJZEN NOVEMBER 26 AND ISSUE OF CHEESE TRANSSHIPMENTS WILL BE DISCUSSED. MALMGREN AND EC BRUSSELS REQUESTED COORDINATE APPROACH TO HIJZEN AND POSSIBLY OTHER COMMISSION OFFICIALS, AND INFORM THEM AS FOLLOWS. USG BELIEVES STEPS TAKEN BY COMMISSION ARE CONSTRUCTIVE AND HAVE PUT US ON RIGHT TRACK TOWARD FINDING AMICABLE AND EFFECTIVE SOLUTION TO TRANSSHIPMENT PROBLEM. WE REMAIN CONCERNED, HOWEVER, THAT TERMINATION OF PREFIXATION ON PECORINO, REDUCTION OF EXPORT REFUND TO 50 U.A., AND DECLARATION TO MEMBER GOVERNMENTS WILL NOT ELIMINATE TRANSSHIPMENTS. EC SUBSIDIZED CHEESES OTHER THAN PECORINO COULD ALSO BE ENTERING U.S. VIA THIRD COUNTRIES.

2. UNLESS ALREADY CONTAINED IN EC COMMISSION'S DECLARATION AND REGULATIONS CITED THEREIN, WE REQUEST THAT COMMUNITY IMPOSE SANCTIONS IF SUBSIDIZED CHEESE CONTINUES TO BE TRANSSHIPPED; THAT IS, COMMUNITY WOULD DISCONTINUE RESTITUTION PAYMENTS TO OFFENDING EXPORTER. USG WILL CONTINUE TO MONITOR TRANSSHIPMENTS AND NOTIFY COMMISSION SHOULD FURTHER SHIPMENTS OF SUBSIDIZED CHEESE OF EC-ORIGIN ENTER U.S. UPON NOTIFICATION, WE WOULD EXPECT COMMISSION TO APPLY SANCTIONS TO MAKE FURTHER TRANSSHIPMENTS IMPOSSIBLE.

3. IN ADDITION, USG WOULD APPRECIATE COMMISSION'S COMMENTS ON TWO OTHER APPROACHES. EC COULD REPLACE PRESENT SUBSIDY SYSTEM WITH RESTITUTION PAYMENTS FOR CHEESE MADE ONLY ON DEMAND FROM EXPORTERS, WHO WOULD PROVE TO COMMISSION'S SATISFACTION THAT A COUNTRY OTHER THAN THE U.S. IS ULTIMATE DESTINATION OF SHIPMENTS. FINALLY, SHOULD THE COMMUNITY PREFER IT TO TREASURY IMPOSING COUNTERVAILING DUTIES, OR IF NONE OF THE ABOVE PROPOSALS PROVES FEASIBLE OR EFFECTIVE, U.S. AND EC COULD ARRIVE AT AN AGREEMENT UNDER SECTION 204 OF THE AGRICULTURE ACT OF 1956 UNDER WHICH EC WOULD VOLUNTARILY ALLOW U.S. TO EMBARGO AT THE BORDER TRANSSHIPMENTS OF SUBSIDIZED EC CHEESE.

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4. USG IS MAKING THESE PROPOSALS IN EFFORT TO PRESERVE BASIC ARRANGEMENT OF JULY 1974. COMMISSION'S EFFORTS DEMONSTRATE IT IS WORKING WITH SAME OBJECTIVE IN MIND. WE LOOK FORWARD TO COMMISSION'S RESPONSE ASAP TO USG'S LATEST PROPOSALS AND TO THOROUGH DISCUSSION OF ISSUE AT DECEMBER 5-6 CONSULTATIONS IN WASHINGTON IF NEEDED.

5. REGARDING PARAGRAPH 3 ABOVE, AMBASSADOR MALMGREN MAY WISH USE FOLLOWING DRAFT TEXT OF POSSIBLE 204 AGREEMENT FOR BACKGROUND IN DISCUSSING THIS OPTION WITH COMMISSION. BEGIN TEXT. I HAVE THE HONOR TO REFER TO RECENT DISCUSSIONS BETWEEN REPRESENTATIVES OF THE GOVERNMENT OF THE UNITED STATES AND THE EUROPEAN ECONOMIC COMMUNITY CONCERNING THE EXPORT OF CERTAIN DAIRY PRODUCTS LISTED IN ANNEX A FROM THE EUROPEAN ECONOMIC COMMUNITY TO THE UNITED STATES. AS A RESULT OF THESE DISCUSSIONS, I HAVE THE HONOR TO PROPOSE THE FOLLOWING AGREEMENT RELATING TO TRADE IN THE DAIRY PRODUCTS LISTED IN ANNEX A (HEREINAFTER REFERRED TO AS "DAIRY PRODUCTS") BETWEEN THE EC AND THE UNITED STATES:

1. THIS AGREEMENT SHALL COMMENCE ON DECEMBER 1, 1974, AND SHALL REMAIN IN FORCE UNTIL TERMINATED PURSUANT TO PARAGRAPH (BLANK). DURING THE TERM OF THIS AGREEMENT, THE EUROPEAN ECONOMIC COMMUNITY WILL LIMIT, AS PROVIDED IN PARAGRAPH 2, EXPORTS OF DAIRY PRODUCTS ORIGINATING IN THE EC MEMBER STATES AND IMPORTED INTO THE UNITED STATES.

2. NO DAIRY PRODUCTS OF THE EC, WHETHER IMPORTED IN THE SAME CONDITION AS WHEN EXPORTED FROM AN EC MEMBER STATE OR IN CHANGED CONDITION BY REMANUFACTURE OR OTHERWISE, AS TO WHICH RESTITUTION OR SIMILAR PAYMENTS HAVE BEEN PAID

(HEREINAFTER REFERRED TO AS "RESTITUTION DAIRY PRODUCTS") MAY BE ENTERED, OR WITHDRAWN FROM WAREHOUSES, FOR CONSUMPTION IN THE UNITED STATES, INCLUDING ITS TERRITORIES OR POSSESSIONS, DURING THE TERM OF THIS AGREEMENT; PROVIDED, THAT THIS AGREEMENT SHALL NOT APPLY TO DAIRY PRODUCTS WHICH ARE EXPORTED DIRECTLY FROM THE EC MEMBER STATES TO THE UNITED STATES; AND PROVIDED FURTHER, THAT, LIMITED OFFICIAL USE

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TO THE EXTENT OTHERWISE ALLOWABLE, THE LIMITATIONS OF THIS PARAGRAPH SHALL NOT APPLY TO DAIRY PRODUCTS (1) CLASSIFIABLE IN SCHEDULE 8 OF THE TARIFF SCHEDULES OF THE UNITED STATES, OR (2) IMPORTED FOR PERSONAL USE AND NOT FOR RESALE.

3. NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED TO AFFECT OTHER LIMITATIONS OR QUOTA RESTRICTIONS IMPOSED BY THE GOVERNMENT OF THE UNITED STATES UPON THE DAIRY PRODUCTS.

4. THE PARTIES TO THIS AGREEMENT RECOGNIZE THAT THE SUCCESSFUL IMPLEMENTATION OF THE AGREEMENT DEPENDS IN LARGE PART UPON MUTUAL COOPERATION AND EXCHANGE OF RELEVANT INFORMATION CONCERNING, INTER ALIA, COUNTRY OF

ORIGIN AND DESTINATION OF EXPORTS OF THE DAIRY PRODUCTS;
DATES OF COMMENCEMENT OR TERMINATION OF RESTITUTION OR
SIMILAR PAYMENTS, AND AMOUNTS OF SUCH PAYMENTS WITH
RESPECT TO THE RESTITUTION DAIRY PRODUCTS.

5. THE GOVERNMENT OF THE UNITED STATES AND THE EC AGREE
TO CONSULT ON ANY QUESTION ARISING IN THE IMPLEMENTATION
OF THIS AGREEMENT.

6. MUTUALLY SATISFACTORY ADMINISTRATIVE ARRANGEMENTS OR
ADJUSTMENTS MAY BE MADE TO RESOLVE MINOR PROBLEMS ARISING
IN THE IMPLEMENTATION OF THIS AGREEMENT INCLUDING
DIFFERENCES IN POINTS OF PROCEDURE OR OPERATION.

7. EITHER THE UNITED STATES OR THE EC MAY TERMINATE THIS
AGREEMENT BY WRITTEN NOTICE TO THE OTHER PARTY, SUCH
WRITTEN NOTICE TO BECOME EFFECTIVE 90 DAYS AFTER RECEIPT
BY THE PARTY TO WHICH THE NOTICE IS ADDRESSED. EITHER
THE UNITED STATES OR THE EC MAY AT ANY TIME PROPOSE
REVISIONS IN THE TERMS OF THIS AGREEMENT.

8. IF THE FOREGOING PROPOSAL IS ACCEPTABLE TO THE EC,
THIS NOTE AND YOUR NOTE OF CONFIRMATION ON BEHALF OF THE
EC SHALL CONSTITUTE AN AGREEMENT BETWEEN US. END TEXT. INGERSOLL

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